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Message Text

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APPROVED BY: EB/IFD/OIA:R SMITH
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FM SECSTATE WASHDC
TO AMEMBASSY SAIGON

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E.O. 11652: N/A
TAGS: VS, EINV
SUBJECT: OPIC PRESS RELEASE RE REACTIVATED PROGRAMS IN SOUTH VIETNAM AND LAOS

1. FOLLOWING IS TEXT OF PRESS RELEASE TO BE DISTRIBUTED TO U.S. MEDIA ON MANDAY , AUGUST 19.

2. WASHINGTON, D. C. AUGUST 19-- THE OVERSEAS PRIVATE INVESTMENT CORPORATION TODAY ANNOUNCED RESUMPTION OF ITS INSURANCE AND FINANCE PROGRAMS ON A LIMITED BASIS IN SOUTH VIETNAM AND LAOS.

OPIC PROGRAMS FOR ENCOURAGING U.S. PRIVATE INVESTMENT IN INDOCHINA WERE SUSPENDED DURING THE WAR YEARS, AND SINCE 1971. THEIR RESUMPTION HAS BEEN SUBJECT TO CONGRESSIONAL DECISION. THE SENATE-HOUSE CONFERENCE COMMITTEE ON OPIC LEGISLATION HAS AGREED TO A "PRUDENT" RESUMPTION ON THE CONDITION THAT OPIC WILL CONSULT WITH THE CONGRESS ON ITS PLANS AND ACTIVITIES IN INDOCHINA.

THE DIRECTIVE WAS CONTAINED IN THE STATEMENT OF THE CONFERENCE COMMITTEE MANAGERS WHICH ACCOMPANIED THE FINAL BILL EXTENDING POIC'S AUTHORITY THROUGH DECEMBER 31, 1977. THE BILL WAS PASSED BY THE HOUSE ON AUGUST 8, AND THE SENATE ON AUGUST 13, AND NOW
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AWAITS PRESIDENT FORD'S SIGNATURE.

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IN COMPLIANCE WITH THE COMMITTEE'S DIRECTIVE, OPIC'S BOARD OF DIRECTORS ESTABLISHED SPECIAL RISK MANAGEMENT TERMS TO GEVERN ISSUANCE OF INSURANCE OR ASSISTANCE IN FINANCING PROJECTS IN THE TWO COUNTRIES. THE BOARD'S POLICY HAS BEEN FORWARDED TO THE SENATE COMMITTEE ON FOREIGN RELATIONS AND THE HOUSE COMMITTEE ON FOREIGN AFFAIRS.

THIS OPIC POLICY GUIDELINE STATES THAT ITS MANAGEMENT WILL KEEP THE TWO COMMITTESS INFORMED ABOUT PROJECTS APPROVED, AND WILL CONSULT WITH THE COMMITTEES BEFORE IT CONSIDERS ANY PROPOSAL WHICH DOES NOT FALL WITHIN THE GUIDELINES.

THE POLICY ALSO STATES THAT "PENDING THE RESTORATION OF RELATIVELY STABLE POLITICAL AND SECURITY CONDITIONS IN THE REPUBLIC OF VIETNAM OR LAOS, AS DETERMINED BY THE BOARD, ALL COMMITMENTS TO FINANCE PROJECTS OR TO INSURE INVESTMENTS IN VIETNAM OR LAOS SHALL BE MADE ONLY WITH APPROVAL OF THE BOARD."

IT ESTABLISHES FOUR PRINCIPAL RESTRICTIONS:
RISK-ASSESSMENT: EACH PROJECT APPROVAL PAPER SUBMITTED TO THE BOARD MUST BE ACCOMPANIED BY A CURRENT ASSESSMENT OF RISKS SPECIFICALLY RELATED TO THE PROJECT AND ITS GEOGRAPHIC LOCATION.
RISK-SHARING: NO MORE THAN 80 PER CENT OF AN INVESTOR'S INTEREST IN A PROJECT, INCLUDING RETAINED EARNINGS, WILL BE INSURED BY OPIC, EXCEPT IN THE CASE OF INVESTMENTS BY U.S. SMALL BUSINESSES AND BANKS OR OTHER INSTITUTIONAL LENDERS, WHEN UP TO 90 PERCENT MAY BE COVERED. NO MORE THAN 50 PERCENT OF THE TOTAL EXTERNAL FINANCING OF A PROJECT MAY BE PROVIDED BY OPIC THROUGH LOAN GUARANTIES OR DIRECT LOANS.
SCALE: INSURANCE COMMITMENTS TO A SINGLE PROJECT WILL BE LIMITED TO DOLS 5 MILLION OR LESS OF INSURED INVESTMENT UNLESS THERE IS SIGNIFICANT PARTICIPATION BY PRIVATE INSURERS AND REINSURERS. FINANCIAL PARTICIPATION THROUGH LOAN GUARANTIES AND DIRECT LOANS ISSUED BY OPIC IS NOT TO EXCEED DOLS 5 MILLION IN ANY SINGLE PROJECT.
FEES: INSURANCE PREMIUM RATES AND TERMS OF FINANCING WILL BE ESTABLISHED ON THE BASIS OF OPIC'S JUDGMENT OF THE RISK INVOLVED. PERIODIC ADJUSTMENT OF PREMIUM RATES WITHIN DEFINED LIMITS MAY BE MADE SUBJECT TO NEGOTIATION. KISSINGER
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